Tax Breaks

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plex for the elderly has been proposed, and a small commercial building at 14 Lawton Street in downtown New Rochelle.

Austin O'Brien, a field representative with the New York State Historic Preservation Office, said developers in urban areas had been quicker to seek to take advantage of the new benefits, but he added that interest in the new regulation had been building throughout the state.

In New Jersey, tax credits are being sought for the conversion of the former Ford Motor Company assembly plant in Edgewater into a mixed-use building of nearly 700 residential units; the renovation of the former Stokeley Van Camp canning factory in Trenton into a rental complex, and the renovation of 19th-century rowhouses in three historic districts in Jersey City.

To gain the 25 percent tax credit, properties must be placed on the National Register of Historic Places. Those who seek that status for their properties must have them recommended to the National Park Service by state historic preservation offices. Once accepted on the national list, a building's rehabilitation is closely monitored by state and Federal officials.

Only properties that are to be rented or leased are eligible for the tax benefits. Homeowners, for example, may not claim the tax benefits for a house they rehabilitate for their own use. Similarly, companies would not get the credits for rehabilitating the buildings where they carry on on their own business. But if all or part of the rehabilitated structures were rented to others, tax credits would apply to those parts of the building.

GOVERNMENT officials and preservationists have criticized the "substantial rehabilitation" provision of the act, which limits tax incentives to projects in which the cost of rehabilitation equals or exceeds the cost of buying the building, not including the cost of the land. It is feared that this provision will restrict the use of the act in cities like New York, where the cost of buildings is high.

For example, Silverstein Associates is spending $30 million to rehabilitate the former Equitable Life Assurance Building at 120 Broadway. But they are not eligible for an investment tax credit because they purchased the building for $60 million.

"This is a major rehabilitation, and they have approached it in a sensitive way," said Kent L. Barwick, chairman of the New York City Landmarks Preservation Commission, "but they're locked out of the act's benefits because they can't spend enough money on the rehabilitation. That is incredible."

Preservationists and developers' groups, among them the Real Estate Board of New York and the National Association of Home Builders, have been lobbying to get Congress to modify the provision. But staff aides of the Joint Finance Committee said that Congress's preoccupation with budget deficits probably rules out a liberalization of the act this year.

The new incentives received little public notice when President Reagan signed the act last August. But over the winter, capacity audiences swamped a series of 13 meetings held around the country to explain the act's provisions. The meetings were conducted by the National Park Service, which administers the act in conjunction with the Internal Revenue Service and the National Trust for Historic Preservation.

IN addition, officials of state historic preservation offices, through which individuals apply for the tax benefits, report significant increases in both requests for information and tax-incentive applications. There has been an eightfold rise, for example, in the number of calls about historic-preservation tax incentives to the New York State Department of Parks, Recreation, and Historic Preservation over the last year.

"This is a major increase," said Anne Covell, a state architectural historian and program analyst "We're seeing a new type of clientele — bankers, lawyers, developers, in addition to the smaller homeowner and landlord we've traditionally worked with."

Beverly Reece, acting public-relations director of the National Trust, said the high level of interest stemmed in part from a growing desire to live in central cities and particularly in neighborhoods of character where there are many historic and older buildings. She also cited the lower cost of rehabilitation in comparison with new construction and the fact that, beginning in 1976, Federal tax policy has made the rehabilitation of old properties increasingly competitve in economic terms with new construction. The 1981 act repealed earlier, limited tax incentives for rehabilitation and replaced them with the present, more generous ones.

Other provisions of the Economic Recovery Tax Act make the investment tax credit available to developers who lease space in their buildings to charities and government agencies, allow developers and investors up to a total of 18 years to take full advantage of the tax credit due them, and establish a system that allow developers to take a bigger chunk of depreciation benefits faster. ■